E COPY

IN THE

Supreme Court of the United States

Term, 1961

No. 244

DAIRY QUEEN, INC.,
Petitioner

vs.

THE HON. HAROLD K. WOOD, *Judge of the United States District Court of the Eastern District of Pennsylvania*, H. A. MCCULLOUGH and H. F. MCCULLOUGH, *a partnership, doing business as McCullough's Dairy Queen*, and BURTON F. MYERS, ROBERT J. RYDEEN, M. E. MONTGOMERY and LORRAINE DALE, *Executrix of the Estate of Howard E. Dale, Deceased, Individuals*,
Respondents

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT

DONALD M. BOWMAN, ESQ.
1315 Walnut Street
Philadelphia 7, Penna.
Attorney for Petitioner

THE LEGAL INTELLIGENCER, 10 S. 37TH ST., PHILA. 4

INDEX

TABLE OF CITATIONS

TABLE OF CITATIONS *(Continued)*

IN THE

Supreme Court of the United States

TERM, 1961

No. ———

DAIRY QUEEN, INC.,
Petitioner

vs.

THE HON. HAROLD K. WOOD, *Judge of the United States District Court of the Eastern District of Pennsylvania*, H. A. MCCULLOUGH and H. F. MCCULLOUGH, *a partnership, doing business as McCullough's Dairy Queen*, and BURTON F. MYERS, ROBERT J. RYDEEN, M. E. MONTGOMERY and LORRAINE DALE, *Executrix of the Estate of Howard E. Dale, Deceased, Individuals*,
Respondents

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT

Petitioner prays that a Writ of Certiorari issue to review the Order of the United States Court of Appeals for the Third Circuit entered in the above-entitled action on June 22, 1961, denying Petitioner's Application for a Writ of Mandamus (Record; Appendix "B", infra. p. 21).

Opinions Below

The order of the Court of Appeals is not yet officially reported. The Opinion of the District Court of the Eastern District of Pennsylvania is not yet officially reported. They are printed in Appendix "B" hereto, infra. p. 18.

Jurisdiction

The order of the Court of Appeals was entered on June 22, 1961. The jurisdiction of this Court is invoked under Title 28, U.S.C., Section 1254 (1).

Questions Presented

Where, under a written contract, a plaintiff seeks to recover a balance of a debt and also seeks an injunction by reason of the alleged failure to pay the debt, may a Federal Court deprive defendant of a timely-demanded jury trial as to the legal action for the debt, where plaintiff's right to the debt and to the injunction involves a determination of the identical questions of fact.

Statutes Involved

The pertinent statutory provisions are printed in Appendix "A", infra. p. 16.

Statement

This action was commenced in the United States District Court for the Eastern District of Pennsylvania on November 21, 1960, by McCullough and others.[1]

A. Jurisdiction

The jurisdiction of the District Court was founded on diversity of citizenship of the parties and on an amount in controversy exceeding the sum of $10,000.

---

[1] The plaintiffs in this case are H. A. McCullough and H. F. McCullough, a partnership doing business as "McCullough's Dairy Queen." They are the real parties in interest and are herein called "McCullough." The second-named plaintiffs are recited as Burton F. Myers, Robert J. Rydeen, M. E. Montgomery and Lorraine Dale, Executrix of the Estate of Howard S. Dale, Deceased.

B. The Complaint

The Complaint of McCullough made, inter alia, the following allegations:

1. McCullough and others originated the name "Dairy Queen" on January 2, 1947. McCullough registered the trademark "Dairy Queen" in Pennsylvania as a frozen dairy product, which registration is current.

2. McCullough licensed persons throughout the United States to use its trademark and spent large sums of money and time promoting the name "Dairy Queen", inspecting the franchise stores in order to insure uniformity and quality of the product sold as "Dairy Queen", and establishing the name "Dairy Queen" in the minds of the public with a high quality product sold only at clean and attractive stores of uniform design.

3. By written agreement dated October 18, 1949, herein called "Territory Agreement", McCullough granted to the other plaintiffs a franchise for the exclusive right to use the trademark in certain portions of Pennsylvania, and as a result of intervening documents Petitioner, on December 23, 1949, obtained the rights and obligations of the said Territory Agreement. (A copy of said Territory Agreement is attached to the Complaint.)

4. Paragraph 4 of the Territory Agreement recited the total consideration payable for the franchise to use the trade name "Dairy Queen" as follows:

> "4. Pay direct to McCulloughs Dairy Queen (name adopted by First Party), successors or assigns, at his office the sum of One Hundred Fifty Thousand and No/100 Dollars ($150,000.00) in cash as follows:
>
> "(a) $1,000.00 cash, at once.
>
> "(b) $149,000.00 balance, as soon as possible but payable in not less than the amounts as follows:

"1—50% forthwith of all amounts of sales franchises or Territorial rights made by Second Party under contracts sold by Second Party, and in addition, 50% of the sale value of all said franchise or territorial rights used by Second Party.

"2—The aggregate total amount paid to First Party by Second Party under Subsection 1 above, and this Subsection 2 shall be not less than the amount of $18,625.00 in the year ending October 15, 1950, and in each year ending on October 15th thereafter, until the said total amount of $149,000.00 has been fully paid to First Party as provided under this section (b) of paragraph 4."

5. Petitioner "for a number of years" has ceased paying the aforesaid 50% of franchises sold as well as the annual minimum payments.

6. Defendant (Petitioner) is in *default* to McCullough under the said contract in excess of $60,000.00.[2]

7. On August 26, 1960, McCullough notified Petitioner by letter (copy of which is attached to the Complaint in the Record) that their failure to pay the amounts required

---

[2] The averment was further clarified by McCullough in his deposition taken on July 5, 1961, and filed with the District Court on July 17, 1961, wherein the following appears (p. 56):

"Q [Mr. Egnal] So that the balance, then deducting the $3,970.20 would be $57,384.17.

A [Mr. McCullough] That is correct.

Q When you claim, in your complaint, that there is $60,000-odd dollars due you, you are referring to the balance that is due you as shown by the mathematics that we have just gone over?

A That is correct.

Q And you are seeking to recover in this suit the balance of $57,384.17?

A Whatever is due us, yes.

Q Whatever is due you is the balance under the contract?

A That is correct."

in their contract with McCullough constitutes a "material breach" of that contract and that unless this material breach is completely satisfied for the "amount due and owing", the franchise for Dairy Queen in Pennsylvania is hereby cancelled.

8. There were three separate prayers for relief:

(a) An injunction to restrain Petitioner from using in any wise or manner the name Dairy Queen.

(b) Ordering an accounting to determine the exact amount of money owing by defendant to McCullough's Dairy Queen" and thereafter entering judgment in favor of McCullough's Dairy Queen and against defendant in such amount.

(c) An injunction to restrain Petitioner from collecting sums payable to it in the conduct of its Dairy Queen franchise and requiring the said sums to be paid into the registry of the court.

C. PETITIONER'S ANSWER WITH DEMAND FOR JURY TRIAL

1. On March 1, 1961, Petitioner filed its Answer.

2. Petitioner demanded, by inclusion in its Answer and endorsement thereon, a jury trial.

3. Petitioner's Answer alleged the following defenses:

(a) On or about January of 1955, the parties had entered into an oral agreement modifying the manner in which the balance of the total consideration of $150,000.00 was to be paid, in that, effective October 15, 1954, the obligation of Petitioner to make the aggregate annual payment of $18,625.00 was no longer required but that thereafter Petitioner would pay McCullough fifty per cent of the proceeds received from the sale of sublicenses made under the said agreement. It was further alleged that thereafter over a period of five years Petitioner made and McCullough

received the payments required under the said oral arrangement and modification agreement.

(b) McCullough was barred from the relief prayed for by virtue of:

(1) Misuse of the Dairy Queen trademark because McCullough had conspired with others throughout the United States to extend the payment of royalties for the use of a patented freezer which had been licensed under the said agreement of October 18, 1949, beyond the expiration date of the said patent.

(2) Misuse of patent by compelling Petitioner to use no other freezer but the patented freezer and to purchase it solely through McCullough, and by conspiring with the designated manufacturers of the freezer so that sales would be made only to those who acquired a franchise from McCullough for use of the Dairy Queen trade name licensed by McCullough under the Dairy Queen trademark.

(c) Laches.

(d) McCullough was estopped from any equitable relief because it had knowledge of the alleged breach on October 10, 1954, and permitted Petitioner to spend upward of $300,000.00 in further development of the franchise territory thereafter.

D. McCULLOUGH'S MOTION TO STRIKE JURY DEMAND

1. On March 9, 1961, McCullough caused to be filed a Motion to Strike the Petitioner's Demand for a Trial by Jury and in support thereof relied upon the following reasons.

(a) "Under Rule 38 of the Federal Rules of Civil Procedure, defendants' demand for a jury trial is untimely."

(b) "In any event, the issues herein are not triable of right by a jury. Hence, under Rule 38, defendant is not entitled to a jury trial with respect thereto."

E. THE HONORABLE JUDGE WOOD'S OPINION & ORDER

1. On June 1, 1961, Judge Wood granted McCullough's Motion to Strike.

A. The ground stated by the Honorable Harold K. Wood, respondent, was in essence that:

". . . the nature of the plaintiffs' case is purely equitable" either as:

(1) ". . . a claim for relief for infringement of a trademark" . . .

(2) ". . . a prayer to set aside the licensing agreement and restore to the plaintiffs their exclusive right to the use of the trademark 'Dairy Queen' in Pennsylvania . . ."

(3) ". . . a claim to injunctive relief coupled with an incidental claim for damages, ..." (Appendix "B", infra, p. 20).

B. It was further stated that:

". . . incidental to this relief, the Complaint also demands the $60,000 now allegedly due and owing plaintiffs under the aforesaid contract." (Appendix "B", infra, p. 19) and:

". . . if a complaint sought damages for breach of a contract, the issues in the case would clearly be legal and the plaintiff or defendant would be entitled to a jury trial of those issues. . . ." (Appendix "B", infra, p. 19).

F. Petition for Writ of Mandamus

1. On the 12th day of June, 1961, Petitioner filed a Petition for Writ of Mandamus directed against the Honorable Harold K. Wood, Judge of the United States District Court of the Eastern District of Penna. In this Petition, Petitioner set forth the above-mentioned facts and contended, inter alia, that the respondent's Order Striking the Petitioner's Demand for a Jury Trial as to the Complaint and Answer, and his order designating a trial of the cause, without jury unlawfully deprived Petitioner of its right to jury trial under the 7th Amendment to the Constitution of the United States, in that:

(a) McCullough's claim was an action at law to recover a balance due under a contract between the parties.

(b) Petitioner is entitled to a trial by jury on the question as to whether or not there had been a modification of the annual minimum payment provision of the Territory Agreement and whether or not McCullough was chargeable with violation of the anti-trust laws of the United States.

(c) If the case is tried without a jury, petitioner would be put to insurmountable difficulties by reason of the principle of res judicata and the law of the case. A determination by the trial Judge will bar a subsequent jury determination of the issues which are common to both the common law and equitable claims asserted in the Complaint.

(d) In a trial by jury, a jury could determine whether the Territory Agreement was modified and if a breach thereof existed and this determination would either settle the entire cause of action or become the basis for a decision by the trial judge of the equitable cause of action.

2. The said Petition prayed that the Circuit Court command the Honorable Harold K. Wood to:

(a) Vacate his Order Striking Petitioner's demand for a jury trial.

(b) Specify that the issue to be tried by the jury shall be the question of whether or not there is due McCullough any portion of the sum of $60,000 claimed by him under the territory agreement, or whether or not there has been any default by Petitioner of the Agreement between the parties as it may be found to exist.

4. On June 22, 1961, the Circuit Court of Appeals for the Third Circuit (Goodrich J.) without opinion denied Petitioner's Petition for a Writ of Mandamus.

G. Order for Trial Without Jury

On June 28, 1961, Judge Wood ordered that the instant action be tried on August 1, 1961, without a jury.

Reasons for Granting the Writ

1. In the instant case, McCullough has joined, in one action a claim for $60,000.00 allegedly due him under the contract sued upon, with a claim for certain equitable relief based on this non payment as an alleged breach of contract by Petitioner. The existence of this money claim under the contract was recognized by the District Court in the following language:

> "In 1954, it is alleged that the defendant breached the contract by failing to pay to the plaintiffs the minimum yearly sum required thereunder. . . . the complaint also demands the $60,000. now allegedly due and owing under the aforesaid contract." (Appendix "B", infra. p. 19).

At the same time, Judge Wood recognized that a Complaint seeking damages for a breach of contract would clearly involve legal issues and the defendant would be entitled to a jury trial of those issues. The exact language used by the District Court was as follows:

> "For example, if a complaint sought damages for breach of contract, the issues in the case would clearly

be legal and the plaintiff or defendant would be entitled to a jury trial of those issues." (Appendix "B", infra. p. 19).

However, in denying Petitioner's demand for a jury trial, Judge Wood completely ignored McCullough's substantial claim under the contract, and viewed the entire complaint as an action for equitable relief.[3]

It seems settled that the right to trial by jury is a Constitutional right, and that it is one which the Federal Courts are required to protect. *Beacon Theatres, Inc. v. Westover*, 359 U. S. 500 (79 S. Ct. 948) 1959. In support of this position, your Honorable Court has consistently held that the right to a trial by jury cannot be impaired by joining a demand for equitable relief with a claim properly cognizable at law, and this is particularly true where, as in the case *sub judice*, joinder has been made of coordinate equitable and legal causes of action involving a common, controlling issue of fact as to which there would normally be a right to a trial by jury.[4]

The following quotation from your Honorable Court's opinion in the *Beacon Theatres case* (supra) appears pertinent:

> "Since the right to jury trial is a constitutional one, however, while no similar requirement protects trials by the court, that discretion is very narrowly limited and must, wherever possible, be exercised to preserve jury trial. As this Court said in *Scott v. Neely*, 140 U. S. 106, 109-110; 11 S. Ct. 712, 714 35 L. Ed. 358: 'In the Federal courts this [jury] right cannot be dispensed with, except by the assent of the parties entitled to it; nor can it be impaired by any

---

[3] It should be noted that in his depositions taken subsequent to the decision of the District Court, McCullough clearly stated that he was seeking, in this suit, recovery of the balance due him "*under the contract*" in question. (See ft. 2, supra.)

[4] *Beacon Theatres, Inc. v. Westover*, supra; *Ex parte Simons*, 247 U. S. 231 (1918); *Scott v. Neely*, 140 U. S. 106 (1891).

blending with a claim, properly cognizable at law, of a demand for equitable relief in aid of the legal action or during its pendency.'" (p. 510)

It would appear free from question that McCullough's claim for $60,000.00 allegedly due him under the contract, standing alone, would entitle either party to a trial by jury, for it is an action of debt.[5] It is respectfully submitted that the joining of this action of debt with a claim for equitable relief based on failure to pay this alleged debt does not deprive the defendant of his right to a trial by jury.[6] It is also apparent that the joinder of these two actions does not make the basic claim for $60,000.00 incidental to the equitable relief sought. The claim for $60,000.00 is not one for damages incidental to the alleged breach but is a claim for payment of moneys due under the contract, the alleged failure to pay it being the breach itself.

---

[5] An action of debt is a common law action falling within the jury trial guarantee of the Seventh Amendment. *Leimer v. Woods*, 196 F. 2d 828 (1952).

[6] The pattern presented in the instant case is very similar to that in *Temperato v. Rainbolt*, 22 F. R. D. 57 (U. S. D. C., E. D. Ill. 1958). The plaintiff was the holder of a franchise for the use of the name "Dairy Queen". He granted a sublicense to the defendant. The defendant refused to fulfill his obligations for the payments provided for under the license agreement and, in addition, continued the conduct of the Dairy Queen business. In its Complaint, the plaintiff prayed for damages for breach of contract and for an injunction to restrain and enjoin unfair trade practices. The defendant demanded a jury trial. Plaintiff's motion to strike was denied. At page 58 the Court said:

> "It is very clear that here the plaintiff seeks relief on both legal and equitable grounds. In the first count of the complaint the plaintiff alleges a contract and a breach thereof and prays relief for such breach. That this is a law matter is beyond dispute."

A copy of the file copy of the Complaint in the foregoing case is attached to Petitioner's "Memorandum in Support of Petition for Writ of Mandamus" (Record).

The factual question which must be determined before a final judgment can be entered is exactly the same in both the breach of contract cause of action and in the equitable cause which seeks injunctive relief. The only basis urged for the alleged right to injunctive relief is the alleged breach of the contract for failure to pay the very same amounts which plaintiff seeks to recover in the legal cause of action. If defendant is correct in its assertion that under the facts there has been no breach of contract, then plaintiff cannot prevail either in law or in equity. What plaintiff seeks to do is to have the Court determine this vital fact question without a jury which would effectively deny to defendant its Constitutional right to a trial by jury, since the Court's determination would then be final in the legal cause of action through res judicata.

2. The decision of the Court of Appeals for the Third Circuit, in denying Petitioner's Petition for Mandamus is in direct conflict with the decision of the Eighth Circuit in its decision in *Leimer v. Woods*, 196 F. 2d 828 (1952); of the Ninth Circuit in *Bruckman v. Hollzer*, 152 F. 2d 730 (1946),[7] and the Second Circuit in *Ring v. Spina*, 166 F. 2d 546 (1948).

In *Leimer v. Woods*, supra, the Circuit Court held that, in an action involving joined or consolidated equitable and legal causes, involving a common substantial question of fact, a Federal Court could not, under the Rules of Civil Procedure and the Seventh Amendment deprive either party of a properly demanded jury trial upon that question. As that court stated (pp. 833-834):

> "In the long range, if the right of trial by jury is actually to be preserved thus inviolate to the parties, its proclamation in legal letter can only be kept from

[7] The Ninth Circuit Court of Appeals seemed to back away from this case in *Beacon Theatres, Inc. v. Westover*, 252 F. 2d 864 (1958) but your Honorable Court reversed the Ninth Circuit when it did so in *Beacon Theatres, Inc. v. Westover*, supra.

becoming an artificiality by the accompaniment of a sympathetic judicial attitude. And such a hospitable spirit on the part of a court to a preserving generally of that inviolateness would seem naturally to suggest that, where joinder has been made of co-ordinate equitable and legal causes of action and some of such causes of action, as here, involve a common, controlling issue of fact, on which there normally is a right to a jury trial as to the legal cause of action, the question ordinarily should be deferentially allowed to be determined by a jury, rather than for the court, without some special reason or impelling circumstance in the situation, to undertake to foreclose it as a matter of res judicata by designedly proceeding to make a previous disposition of the equity cause of action.

"Any other viewpoint, we think, would not constitute a proper honoring of Rule 38(a), supra, and would leave the court's contrary action, unless based upon some special prompting consideration in the particular situation, subject to the interpretation of a judicial desire to thwart or curb the right of jury trial in the case."

In *Ring v. Spina* (CCA 2) 166 F. 2d 546 (1948), a case dealing with an anti-trust matter, it was argued that the joinder of legal and equitable claims in the same action resulted in a waiver of the right to a jury trial. The Court rejected that proposition and held that a litigant who seeks damages and an injunction does not waive his right to a trial by jury.

In *Bruckman v. Hollzer*, 152 F. 2d 730 (1946), the Ninth Circuit held that, where a complaint in separate paragraphs alleges causes of action for damages for copyright infringement and also for equitable relief by way of accounting and injunction, each of the latter of which also involve the issue of infringement, the parties are entitled to a trial by jury with regard to the common law issues prior to deciding the equitable aspects of the case.

Therefore, the Third Circuit, allowing Judge Wood's Order to stand denying Petitioner a right to a trial by jury with regard to the question of contract breach and damages appears to be in direct conflict with the present law as set forth both by your Honorable Court and the various other Circuit Courts as set forth above.

3. The Circuit Court of Appeals' Order denying Petitioner a Writ of Mandamus will require Petitioner to defend itself, in an action of debt, without the right to a trial by jury. If petitioner is denied this right to a jury trial, plaintiffs will have the Court's approval to circumvent the clear meaning of the Seventh Amendment to the United States Constitution, the Act of June 19, 1934, 48 Stat. 1064, 28 U.S.C. Sections 723, 723c, and Rule 38(a) of the Federal Rules of Civil Procedure, all of which guarantee the right to a trial by jury in suits at common law.

It is submitted that the Constitutional right of trial by jury will cease to exist if the plaintiff can deprive a defendant of that basic right by the mere expedient of joining an equitable cause of action with a legal cause of action. This is particularly true where the equitable cause of action is founded on the same facts which determine the ultimate outcome of the legal cause of action. Under the theory apparently upheld by the Courts below, a party can deprive a defendant of a jury trial in a debt action, if the plaintiff claims that he wants payment of the debt plus injunctive relief because the failure to pay the debt constituted a breach and forfeiture of the contract.

It is important that the decision of the courts below in the instant case be reviewed and reversed so that the basic constitutional and statutory rights of party litigants shall not be destroyed. Moreover parties instituting and defending similar suits would know whether or not they are entitled to a trial by jury in such debt actions, and the conflict would be resolved between the Circuit Court of Appeals for the Third Circuit and your Honorable Court as well as the various other Circuit Courts.

CONCLUSION

For the foregoing reasons, it is urged this petition for a Writ of Certiorari should be granted.

Respectfully submitted,

DONALD M. BOWMAN, ESQ.
Attorney for Petitioner

APPENDIX A

Statutes

28 U. S. C. 1254(1).

Cases in the Courts of Appeal may be reviewed by the Supreme Court by the following methods:

(1) By Writ of Certiorari granted upon Petition of any party to any civil or criminal case before or after rendition of judgment or decree.

Constitution of the United States—Seventh Amendment.

In Suits at common law, where the value in controversy shall exceed twenty dollars, the right of trial by jury shall be preserved, and no fact tried by a jury, shall be otherwise reëxamined in any Court of the United States, then according to the rules of the Common law.

Act of June 19, 1934, 48 Stat. 1064, 28 U. S. C. Sections 723, 723c.

"Be it enacted . . . that the Supreme Court of the United States shall have the power to prescribe, by general rules for the District Courts of the United States, and for the Courts for the District of Columbia, the forms of process, writs, pleadings, and motions, and the practice and procedures in civil actions at law. Said rules shall neither abridge, enlarge nor modify the substantive rights of a litigant. They shall take effect six months after their promulgation, and thereafter all laws in conflict therewith shall be of no further force or effect.

"Sec. 2. The Court may at any time unite the general rules prescribed for it for cases in equity with those in actions at law so as to secure one form of civil action and procedure for both: provided, however, that in such union of rules the right of trial by jury as at common law and declared by the Seventh Amendment to the Constitution shall be preserved to the parties inviolate. Such united rules shall not take effect until they shall have been reported to Congress by the Attorney General at the beginning of a regular session thereof and until after the close of such session."

---

28 U. S. C. Federal Rules of Civil Procedure—Rule 38(a).

The right of trial by jury as declared by the Seventh Amendment to the Constitution or as given by a statute of the United States shall be preserved to the parties inviolate.

APPENDIX B

Opinion and Order of the United States District Court for the Eastern District of Pennsylvania

WOOD, *J.* June 1, 1961

On December 28, 1960, we granted the plaintiffs' motion for a preliminary injunction and filed findings of fact and conclusions of law in support of our order. The factual background of this case is sufficiently set forth in the aforesaid memorandum. Subsequently, the defendant filed its answer to the plaintiff's complaint and demanded a jury trial. The defendant did not specify the issues on which it demanded a jury trial, and it is consequently up to the Court to determine whether any of the issues in this case as presented by the pleadings to date are of a "legal nature."

Rule 38 of the Federal Rules of Civil Procedure provides in pertinent part as follows:

> "JURY TRIAL OF RIGHT.
>
> "(a) RIGHT PRESERVED. The right of trial by jury as declared by the Seventh Amendment to the Constitution . . . shall be preserved to the parties inviolate."

It is settled law that although the Federal Rules of Civil Procedure provide for "one form of action"—a civil action —, the traditional distinction between legal and equitable actions must be referred to in order to determine a party's right to a jury trial. Although we agree with the defendant that the form of relief sought by the plaintiffs is not necessarily determinative of the question of the defendant's right to a jury trial, nevertheless the form of relief sought in the complaint is an important factor to be considered in characterizing the issues in the case as either equitable or legal. (See Moore's FEDERAL PRACTICE, Vol. 5,

p. 158 et seq.) For example, if a complaint sought damages for breach of a contract, the issues in the case would clearly be legal and the plaintiff or defendant would be entitled to a jury trial of those issues. However, if the complaint sought specific performance of the same contract, the issues raised would be equitable in nature and neither the plaintiff nor the defendant would be entitled to a jury trial.

In the case at bar the complaint alleges that the defendant entered into a contract with the plaintiffs in 1949 whereby the plaintiffs licensed the defendant to use the plaintiffs' registered trademark "Dairy Queen" and permitted the defendant to sub-license others to use the trade name. In 1954, it is alleged that the defendant breached the contract by failing to pay to the plaintiffs the minimum yearly sum required thereunder. According to a provision of the contract, the defendant's right to use the plaintiffs' trademark ceased at the time of the defendant's breach. Accordingly, it is alleged that since 1954 the defendant has been infringing the plaintiff's trademark and has been collecting money in violation of the plaintiffs' rights and will continue to do so unless enjoined by this Court. The complaint seeks, in effect, a declaration that the licensing contract is null and void; an accounting of profits illegally obtained by the defendant since 1954 to date; and a permanent injunction restraining the defendant from any use of the plaintiffs' trademark "Dairy Queen", and from executing any more sub-license agreements authorizing third-persons to use that trademark. Incidental to this relief, the complaint also demands the $60,000 now allegedly due and owing plaintiffs under the aforesaid contract.

The defendant admits the existence and provisions of the contract, but alleges that prior to the alleged breach, the parties entered into an oral agreement which amounted to a novation (Restatement of the Law of Contracts, 424); that according to the terms of the novation, the defendant is not in breach of the original contract; and that consequently the defendant is not infringing and has not infringed the plaintiffs' trademark. In addition, the defend-

ant alleges that the plaintiffs, because of violations of the antitrust laws, have come into Court with unclean hands and, hence, are not entitled to equitable relief.

As we analyze the issues raised by the complaint and the answer, the nature of the plaintiffs' case is purely equitable.[1] Whether the plaintiffs' claim be viewed as a claim for relief for infringement of a trademark,[2] or a prayer to set aside the licensing agreement and restore to the plaintiffs their exclusive right to the use of the trademark "Dairy Queen" in Pennsylvania,[3] or a claim to injunctive relief coupled with an incidental claim for damages,[4] all issues raised thereby are for the Court's determination.

The remaining question is whether the defendant's answer poses a legal issue on which the defendant is entitled to trial by jury. There is no doubt that a defendant is entitled to a jury trial of an issue legal in nature raised by the answer, even in a case in which the complaint raises only equitable issues. However, in the case at bar, we think that the defendant's answer raises only equitable issues.

---

[1] See Moore's FEDERAL PRACTICE, Vol. 5, p. 207, where the author states: "The common law of trademarks is but a part of the broader law of unfair competition, . . . if he so elected, plaintiff could seek injunctive relief, with damages as incidental thereto, and all the issues are equitable in nature, i.e., for the court."

[2] See *Crane Co. v. Alonzo H. Crane et al.* (N. D. Ga. 1957), 157 F. Supp. 298, where the court held that a complaint alleging that defendants had infringed plaintiff's trademark and plaintiff asked for injunction, accounting, attorney's fees, costs, and such other relief as the court might deem just, the complaint was one for equitable relief and the issue of damages was incidental, and defendants were not entitled to a jury trial.

[3] See *Greenhood v. Orr & Sombower, Inc.* (D. C. Mass. 1958) 158 F. Supp. 908, where the court held that the relief requested by plaintiff was a declaration that a franchise granted to the defendants for use of a machine was null and void and that such action was, in effect, one for cancellation of contract, a proceeding which is traditionally equitable in nature and plaintiff was not entitled to a jury trial.

[4] See *Greenhood v. Orr & Sombower, Inc.* (ft. 3) and *Crane Co. v. Alonzo H. Crane* (ft. 2, supra).

Upjohn Co. v. Schwartz (S. D. N. Y. 1953), 117 F. Supp. 292; and *Folmer Graflex Corp. v. Graphic Photo Service et al.* (D. C. Mass. 1941), 41 F. Supp. 319. Therefore, we think neither party has the right to a jury trial of any of the issues raised by the pleadings in this case. However, we reserve judgment on the advisabiltiy of damages, if any, due plaintiffs. A the final hearing on the merits, according to the developments of the evidence, we may submit that question to a jury.

For the foregoing reasons, we enter the following Order:

ORDER

And now, to wit, this 1st day of June, 1961, IT IS ORDERED that the plaintiffs' motion to strike the defendant's demand for a trial by jury is hereby GRANTED. This action is to be heard on the merits by the Court sitting without a jury on June 27, 1961, at 10 a.m.

By the Court:

/s/ HAROLD K. WOOD, *J.*

Order of the United States Court of Appeals for the Third Circuit

No. 13643

Present: GOODRICH, MCLAUGHLIN and KALODNER, *Circuit Judges*

Upon consideration of the petition by Dairy Queen, Inc., for a writ of mandamus, and of the memorandum in support of the petition,

It is ORDERED that the petition for a writ of mandamus be and it hereby is denied.

By the Court,

GOODRICH, *Circuit Judge*

Dated: June 22, 1961